REBUTTAL TESTIMONY

of

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Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Petition for approval of delivery services tariffs and tariff revisions and of residential delivery services implementation plan and for approval of certain other amendments and additions to its rates, terms and conditions.

Commonwealth Edison Company

Docket No. 01-0423

October 16, 2001

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WITNESS IDENTIFICATION

Q. Please state your name and business address.

A. My name is Bryan Sant. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. Have you previously provided testimony in this proceeding?

A. Yes. My direct testimony was filed August 23, 2001 as ICC Staff Exhibit 3.0. I also filed supplemental direct testimony, ICC Staff Exhibit 14.0, on September 19, 2001.

PURPOSE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. I am presenting the rebuttal Staff revenue requirement schedules reflecting Staff's rebuttal position. I am also presenting testimony addressing the following issues discussed in the rebuttal testimonies of Company witnesses Philip E. Voltz, Jerome P. Hill, and Richard F. Meischeid II and the supplemental rebuttal testimonies of Company witnesses Voltz and Hill:

1. Storm restoration expense adjustment
2. Storm damage reserve
3. Bill payment centers closings adjustment
4. Rate case expense adjustment
5. Salaries and wages expense adjusted for layoffs

6. Salaries and wages expense adjusted for incentive compensation
7. Distribution salaries and wages expense adjusted for normality
8. Payroll taxes adjustment

I am also addressing the normalization adjustment Government and Consumers witness David J. Effron is proposing to reduce the amount of environmental remediation costs.

SCHEDULE IDENTIFICATION

Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 17.0?

A. Yes. I prepared the following schedules for the Company, which show data as of, or for the test year ending, December 31, 2000:

REVENUE REQUIREMENT SCHEDULES:

Schedule 17.1	Statement of Operating Income with Adjustments
Schedule 17.2	Adjustments to Operating Income
Schedule 17.3	Rate Base
Schedule 17.4	Adjustments to Rate Base
Schedule 17.5	Interest Synchronization Adjustment
Schedule 17.6	Gross Revenue Conversion Factor

ADJUSTMENT SCHEDULES:

Schedule 17.7	Adjustments to Storm Expense

Schedule 17.8	Adjustment for Closing of Bill Payment Centers
Schedule 17.9	Adjustment to Rate Case Expense
Schedule 17.10	Adjustment to Salaries & Wages Expense - Layoffs
Schedule 17.11	Adjustment to Salaries & Wages Expense – Incentive Compensation
Schedule 17.12	Adjustment to Distribution Salaries & Wages Expense
Schedule 17.13	Adjustment to Payroll Taxes

REVENUE REQUIREMENT SCHEDULES

Q. Please describe ICC Staff Exhibit 17.0, Schedules 17.1 through 17.6.

A. ICC Staff Exhibit 17.0, Schedules 17.1 through 17.6 are identical to my ICC Staff Exhibit 14.0, Schedules 14.1 through 14.6 except that Schedules 17.1 through 17.6 have been revised to incorporate Staff's rebuttal positions.

ADJUSTMENT SCHEDULES

Q. Please describe ICC Staff Exhibit 17.0, Schedules 17.7 through 17.13.

A. ICC Staff Exhibit 17.0, Schedules 17.7 through 17.13 are similar to ICC Staff Exhibit 3.0, Schedules 3.7 and 3.12 and ICC Staff Exhibit 14.0, Schedules 14.7 and 14.8. ICC Staff Exhibit 17.0, Schedules 17.7 through 17.13 differ from the prior schedules in that they incorporate Staff witness Sant's rebuttal positions. These schedules replace Schedules 3.7 through 3.12 and 14.7 through 14.8 of ICC Staff Exhibits 3.0

and 14.0. The specifics of each of these schedules will be explained in the sections that follow.

STORM RESTORATION EXPENSE ADJUSTMENT

Q. Please describe ICC Staff Exhibit 17.0, Schedule 17.7, Adjustment to Storm Expense.

A. ICC Staff Exhibit 17.0, Schedule 17.7, Adjustment to Storm Expense, reflects my proposed adjustment to storm expense. This schedule is similar to ICC Staff Exhibit 3.0, Schedule 3.10, Adjustment to Storm Expense, which it is replacing. Schedule 17.7 refines Schedule 3.10 two ways. It includes data available through the end of August 2001. Also, page 3 of Schedule 17.7 reflects annualization based on seasonality rather than a level-month basis. Data provided by the Company to Staff during field work and in subsequent data request responses shows that a high percentage of storm restoration expenses are historically made by the end of August. I should have considered this information when initially proposing this adjustment.

Q. Have you reviewed the rebuttal testimony of Company witness Voltz regarding your adjustment to storm expense?

A. Yes, I have. I understand Mr. Voltz's reasons for not agreeing with my storm expense adjustment is that pre-1998 storm expense data is not comparable to post-1997 storm expense data. Mr. Voltz also proposes that if the Commission accepts a storm restoration expense adjustment, the alternative 44-month average proposed by the Company is more appropriate than my proposed adjustment. His rebuttal arguments have not caused me to change my position other than to update my adjustment to include actual data available through August 2001.

COMPARABILITY OF PRE-1998 AND POST-1997 DATA

Q. Do you agree with his assertion that pre-1998 storm expenses cannot be compared with post-1997 expenses?

A. No. The Company has stated that its new accounting system and the new operations of the storm tracking and repair systems described in Mr. Voltz's rebuttal denotes an inability to compare recent storm expenses with storm expenses prior to 1998. If one accepts the argument that the data cannot be compared, the following assumptions must be made: 1) the 1998 – 2000 amounts are normal and thus, sufficient for normalization; and 2) the post-1987 and pre-1998 data are not fundamentally the same expenses. These assumptions, however, are inappropriate.

<u>Insufficiency of 3-year (1998 – 2000) Normalization Period</u>

Q. Do you agree with Company witness Voltz's repeated assertion that the 3-year average of incremental (variable) costs is more than sufficient in determining a normal amount of storm expense? (ComEd Ex. 5.0, line 438 and ComEd Ex. 24.0, lines 392-393)

A. No, I disagree with this assertion because: 1) the Company has not provided evidence to support this claim; 2) the time period 1998 – 2000 is not reflective of an ongoing normal level; and 3) the year 2001, thus far, is more comparable to the pre-1998 level.

Q. Please explain your assertion the Company has not provided evidence to support the claim that the 1998 – 2000 time period is more than sufficient for normalization.

A. The Company has not given an objective reason why the average of this three-year period represents a better level of normalized storm expense than my proposed average for the years 1993 - 2001. The only support the Company has provided is a persistent assertion that the three-year average (1998 – 2000) is more appropriate because the pre-1998 storm expense costs are not comparable to post-1997 expenses. The assertion has not been supported by any evidence or facts. The mere assertion that post-1997 expenses are different from pre-1998 expenses does not, in and of itself, render the post-1997 expenses more representative.

Q. Explain your assertion that 1998 – 2000 is not reflective of an ongoing normal level.

A. The 1998 – 2000 time period proposed by the Company is not reflective of an ongoing normal level of storm expense. Determining a “normal” level of expense is not an easy exercise. However, certain situations may make this activity easier. One such situation would be if the expense amount is relatively the same for each year in the time range used for averaging, with any variances being reasonably explained. Another situation that may be helpful in determining a "normal" level of expense is when a long enough time period is used so that any trends can be determined, any outliers can be identified, and any recurring amounts can be recognized, etc. Total storm expenses for the years 1998 – 2000 are shown in the table below:

	1998	**1999**	**2000**
Total Storm Expense	$36,500,000	$16,500,000	$29,900,000
Variable Storm Expense	$19,000,000	$9,500,000	$18,700,000
Fixed Storm Expense	$17,500,000	$7,000,000	$11,200,000

The expense amounts for 1998 – 2000 are not relatively the same. This is also not a long enough time period to note any emerging trends. For instance, it is not determinable, viewing the three years in isolation, whether the higher totals in 1998 and 2000 are normal and ongoing or are exceptionally high outliers. On the same token, using just these years, it is equally undeterminable if 1999 is an exceptionally low year, or is more representative of an ongoing level. With such a large variance between the annual amounts, using such a short time period to calculate a "normal" annual average is not appropriate.

Q. Explain your rationale that 2001 thus far is more comparable to the level of activity represented by the pre-1998 level of storm expense.

A. As supported by updated data from the Company for 2001 storm expenses through August, the 2001 amount is more comparable to pre-1998 data than any year after 1997. There are a variety of possible explanations for the significantly lower expense amount in 2001: ComEd not “adhering” to its new storm restoration methodology; 1998, 1999, and/or 2000 being unusually stormy; 1998 – 2000 costs being inflated; 1998 – 2000 containing expenditures that should have been capitalized rather than expensed; an unusually mild year in 2001; or many other possible explanations. One question that 2001 data does answer is whether the three-year period of 1998 – 2000 undoubtedly represents a normal ongoing level of storm restoration expenditures. The answer is no.

Q. Please summarize your three reasons that an ongoing normal level of storm restoration expense is better reflected by the period 1993 – 2001 rather than the Company’s proposed three-year period of 1998 – 2000.

A. My proposed storm restoration expense as an average of 1993 – 2000, adjusted for inflation, is a better reflection of a normal level of expense because 1) the Company has not provided any evidence to support the assertion that 1998 – 2000 is more than sufficient to determine a normal level; 2) three years is not a sufficient length of time to determine if any of these years, or the average of those years, is normal because there is such a wide variance; and 3) data for 2001 is more comparable to pre-1998 years than to post-1997 years.

<u>Post-1997 and Pre-1998 Data is Fundamentally the Same Expense</u>

Q. Do you agree with the assumption that data from the years prior to 1998 is not fundamentally the same as data for the years 1998 forward?

A. No. Even though apparently the Company approached storm restoration activities differently in the years prior to 1998, the expenses incurred were nevertheless for storm restoration. In the years after 1997, the expenses incurred are also for storm restoration. The biggest difference is the degree of expense. However, as discussed in detail below, the new systems and approaches put in place by the Company do not necessarily command a higher dollar amount; one only has to look at the 2001 year-to-date data to see this.

ALTERNATIVE 44-MONTH NORMALIZATION PERIOD

Q. Do you agree with Company Witness Voltz's alternative proposal of using a 44-month period for normalizing storm expense?

A. No. I disagree with this approach for two reasons: 1) Company witness Voltz's alternative only normalizes the so-called incremental costs and not the fixed costs and 2) this proposal does not include data from the years prior to 1998.

Q. Please explain your first disagreement with the Company's alternative 44-month normalization method – not including fixed costs in the normalization.

A. As shown in ICC Staff Exhibit 3.0, Schedule 3.10, I propose normalizing the total cost of storm expense, not just the incremental costs. What the Company defines as “fixed” storm costs varies to the same degree as the variable and overall storm restoration costs during the time period 1998 – 2000. The amounts for 1988 through 2000 of “fixed storm expense”, respectively, are $17.5 million, $7.0 million, and $11.2 million. The Company stated, in responses to the first set of City of Chicago data requests 80 and 85, that the variable storm costs consisted of costs that occur in addition to normal work operations, i.e. overtime, contractors working on storm damage, and incremental materials. By deduction, “fixed” storm costs consist of straight-time employee labor, fixed materials, and other normal work operations. Comparing the three years’ fixed costs, they are as erratic as the Company’s variable, or incremental costs. As the Company repeatedly states, storms are highly variable. Obviously, so are the fixed storm costs. It is not sound reasoning to therefore normalize the incremental costs and not the fixed costs. Hence, the Commission should not adopt the Company’s alternative 44-month alternative method.

Q. Please explain your second reason for disagreeing with the Company’s alternative 44-month normalization method.

A. The Company’s method does not include data prior to 1998. For the reasons articulated above, I believe it is appropriate to normalize the data based on more than the highly variable post-1998 amounts.

Q. If the Commission were to accept the Company's alternative 44-month method of normalizing, should any adjustment be made to the Company's proposal?

A. Yes. If the Commission were to accept the Company's alternative 44-month method of normalizing storm expense, rather than accepting my adjustment, a similar correction to account for the seasonality of storm expenses must also be considered.

Effron Proposal

Q. Are you aware of other proposals for storm expense?

A. Yes. Government and Consumers witness Effron has proposed an adjustment to storm expense based on a 5-year normalization (1996 – 2000). (Mr. Effron's direct testimony, Exhibit GC 2.0, pages 12 – 14)

Q. Do you believe Mr. Effron's proposed adjustment to be appropriate?

A. Yes, in part. I believe my proposed adjustment to be more appropriate. My normalization method using years 1993 – 2001 allows for a reasonable method of normalizing what has been a highly variable expense. However, if the Commission rejects my proposal, Mr. Effron's proposal appears to be the most reasonable alternative. As discussed above, the Company's proposed period from 1998 – 2000 is not an appropriate period to use to normalize this expense. Mr. Effron's is more appropriate as it uses a more appropriate time period.

STORM RESERVE

Q. Have you reviewed Mr. Voltz's testimony concerning your opposition of the creation of the storm reserve?

A. Yes, I have. I understand his position to primarily be that my concerns are misplaced because: 1) single-issue ratemaking only applies to base rate cases; 2) the reserve does not violate test year principles; and 3) the "general proposition" of retroactive ratemaking has no application to this particular proposal. I also understand his other positions to be that because no other party has opposed this proposal, and because I have no other objections other than the 3 mentioned above (single-issue ratemaking, test year principles, and retroactive ratemaking), the Company's proposal is appropriate.

Q. Do you believe the Commission should consider Mr. Voltz's comments stating that he does not believe that you expressed the view that if the reserve is appropriate that it should not be approved? (ComEd Ex. 24.0, lines 420 – 423)

A. No, for two œntral reasons, his testimony in this area should be given no weight. First, I explicitly stated in my direct testimony that I do not believe the proposed reserve is appropriate. (ICC Staff Ex. 3.0, lines 345 – 346) Furthermore, I then unambiguously explain, and will so again in this rebuttal testimony, why this proposal violates the test year principle, is single-issue ratemaking, and is retroactive ratemaking. (ICC Staff Ex. 3.0, lines 346 – 398).

The second reason this part of Mr. Voltz testimony should be given no weight by the Commission is that in essence, he is saying, "if 100% of Mr. Sant's reasons for disagreeing with the proposed storm reserve are incorrect than he does not oppose the proposal." This could be said about anybody who ever has or ever will testify in a regulatory proceeding, no matter what the issue is. Such a statement contributes nothing meaningful to this debate and it should be given no weight by the Commission.

SINGLE-ISSUE RATEMAKING

Q. Do you agree with Mr. Voltz's assertion that the doctrine against single-issue ratemaking only applies to base rate cases?

A. No, I do not, and apparently ComEd is not even convinced of that assertion. For instance, I am aware of at least four places in Company witness Hill's rebuttal and supplemental rebuttal testimonies where he reverts to discounting Staff and intervenor adjustments because, in his opinion, it involves single-issue ratemaking or involves only looking at one variance or one expense account. (ComEd Ex. 23.0, lines 311 – 313, lines 443 – 444, and 769 – 772; ComEd Ex. 38.0, lines 218 – 221). The latter three references do not explicitly name the action as "single-issue ratemaking" but they do describe the Company's opposition to accepting an adjustment based on looking at one account and not the others which is, in essence, how I describe my understanding of single-issue ratemaking in my direct testimony. (ICC Staff Ex. 3.0 lines 351 – 353 and 363 – 365)

Q. Discuss Mr. Voltz's comments regarding your concern that the reconciliation of the storm reserve would constitute single-issue ratemaking because it considers the changes to one account (storm expense – USOA 593) and not the changes to other accounts. (ComEd Ex. 24.0 lines 425 – 441)

A. Mr. Voltz did not directly address this concern. He does state, however:

> "variable storm expenses will be considered only in the context of future delivery services and bundled services ratemaking proceedings, i.e., they will be considered at the same time as all other jurisdictional expenses." (ComEd ex. 24.0, lines 434 – 436)

However, that comment does not directly address the specific issue at hand. Using Mr. Voltz's example on lines 486 – 505 of his rebuttal testimony (ComEd Ex. 24.0), the over- or under-accrual of Periods 1 - 3 would be applied to the test year's (Period 6) normalized amount (normalized on a 3-year average: Periods 4 – 6). However, analyzing the over- or under-accrual of the storm reserve in Periods 1 – 3 without analyzing variances in other accounts during that same time period is precisely what I stated as my concern. The fact that other jurisdictional expenses of the test year, Period 6, are being considered at the same time the storm expense's normalized amount is being reconciled does not alleviate the concern that single-issue ratemaking is occurring.

TEST YEAR PRINCIPLES

Q. Mr. Voltz suggests that you misunderstand the storm reserve proposal or fail to acknowledge that the proposal over time normalizes the variable storm expense. He also suggests that your advocacy of test year principles contradicts your own proposal of normalizing storm expense. Are these suggestions accurate?

A. No, they are not. These suggestions completely discard a whole paragraph of my direct testimony, where I state:

> The proposal by the Company is to take data concerning storm expense from many years (through its proposed reconciliation process) and match it with revenue from one year (the test year). Quite often, data from many years is used to normalize an expense, as I am proposing concerning the level of storm expense to be allowed in this proceeding's revenue requirement. However, the reconciliation process proposed by Company witness Voltz is not to normalize a test year expense, rather, it is to adjust the normalized expense by the over- or under-recovered amount of the storm reserve. This process could easily facilitate the mismatching of high expense data from one year and low revenue data from another year. (ICC Staff Ex. 3.0, lines 372 – 381)

In other words, it is not the normalization process I am opposed to, it is the reconciliation of the over- or under-accrued amount of the storm reserve added or subtracted to the normalized amount of storm expense. The normalization process and reconciliation process are two distinct issues. Once again, using Mr. Voltz's example from his rebuttal, normalization is occurring with expense amounts from Periods 4 – 6 while the reconciliation is being calculated totally from the results of the recovered amounts in Periods 1 – 3. My direct testimony does not state that I oppose the normalization process, nor in my rebuttal testimony do I take issue with the normalization of the hypothetical example of Periods 4 – 6. Indeed, as pointed out by Mr. Voltz, I do advocate normalization in my proposed storm expense adjustment. This, however, in no way contradicts my opposition to the reconciliation of the normalized storm reserve amount.

Q. As you stated above, and in your direct testimony, this reconciliation can facilitate the mismatching of high expense data from one year and low revenue data from another year. How is this possible?

A. Quite simply, Mr. Voltz's example demonstrates this very event. In his example, the test year's revenue requirement is increased by $2 million to reconcile for the prior under-recovery of $6 million (inherently assumes that a 3-year amortization of this reconciliation amount is appropriate). In this case, it is very possible that the reconciliation period (Periods 1 – 3) contains high expenses, and a portion of those high expenses, in the form of the under-recovered storm expense reconciliation, is introduced into the revenue requirement of the test year - which very possibly contains low revenue data. Conversely, low expense data (over-recovered storm expenses) could be introduced into a test-year revenue requirement containing high revenue data.

Mr. Voltz's example is not this detailed. However, these two possibilities do show how easily the reconciliation process can mismatch high expense data with low revenue data, and also low expense data with high revenue data. Either case represents a mismatching, which to my understanding, is one reason for having test year rules.

RETROACTIVE RATEMAKING

Q. Have you reviewed Mr. Voltz's rebuttal testimony concerning your discussion of retroactive ratemaking?

A. Yes, I have.

Q. Does Mr. Voltz disagree with your assertion that the proposed storm reserve represents retroactive ratemaking?

A. No, he does not appear to do so. In fact he agrees with the premise that rates should not be set with the goal of allowing companies to recoup prior deficits or the refunding of excess profits to ratepayers. (ComEd Ex. 24.0, lines 469 – 471). I understand Mr. Voltz's disagreement to be that I do not point to any specific reasons that the general application of not approving retroactive ratemaking should be applied to this specific proposal.

Q. Do you believe that you are obligated to provide specific reasons for proposing to disallow the Company from engaging in retroactive ratemaking?

A. No. I believe that the Company shoulders the burden of demonstrating that disregarding an enduring tenet of utility ratemaking, such as retroactive ratemaking, is not applicable to a particular situation and is appropriate for the Commission to enact.

From review of direct and rebuttal testimonies of Mr. Voltz, the Company's demonstration that this proposal should be accepted by the Commission is based on the notion that this is a voluntary proposal made by the Company that benefits shareholders, ratepayers, and alternative suppliers alike. I do not believe this demonstration is convincing. The fact that the Company makes a voluntary proposal which it perceives to be equally beneficial to shareholders and ratepayers does not, in and of itself, signify that Commission approval is appropriate. The fact that it is a voluntary proposal is meaningless. Companies often make voluntary proposals to the Commission.

Also, the Company has not demonstrated that the shareholders and ratepayers equally benefit. The Company does indicate that it believes that dampening the effects of storm expenditures helps stabilize earnings, which, in its belief, benefits shareholders and ratepayers. However, the Company does not mention the extra benefit that the Company receives: this type of reserve allows the Company to recover these specific expenses with no risk to the shareholder. Shareholders are rewarded for risk by the return on plant. If no risk is being taken by the shareholders, the return on plant they are allowed to recover is a free gift to the shareholders and a detriment to the ratepayers.

Q. Regardless of the Company's burden to demonstrate that the tenets of utility ratemaking should be set aside, do you have any specific reasons, besides the fact that it is single-issue ratemaking, violates test year principles, and is retroactive ratemaking, for opposing the approval of the storm reserve "voluntarily" proposed by the Company?

A. Yes. All operating and maintenance expenses vary from year-to-year. Even though expenses can be normalized, it is obvious that the amounts included in the revenue requirement will not be exactly what is expended by the Company in the prospective period. Would it not then be prudent to propose a reserve, with a reconciliation process as described by the Company, for all operating and maintenance expenses? Of course not. This would not be consistent with the utility ratemaking process.

The only unique aspect of storm expenses is that it might have more variability than other expenses due to its unpredictable nature. Yet all expenses have variances. The smaller degree of variability in other expenses does not make their claim to reconciliation any less legitimate than the claim that the variability in storm expenses warrants a reconciliation. Nevertheless, this is not how utility ratemaking is performed, and should not be approved in this case.

Q. Do you have any other comments concerning the proposed storm reserve?

A. Yes. If the Commission does not recognize my concerns about the storm reserve, and accepts the creation of the storm reserve instead, then it should change the amount of the reserve to correspond to my adjustment to normalize the storm expense. If the Commission does not accept my normalization adjustment for storm expense, the next best alternative is to accept Mr. Effron's adjustment. Consequently, the Commission should then accept Mr. Effron's proposed modification to the storm reserve. His proposal is to modify the amount of the reserve to be set up to correspond with his normalization of the test year storm expense amount. (Exhibit GC 2.0, page 14).

BILL PAYMENT CENTERS

Q. Describe ICC Staff Exhibit 17.0, Schedule 17.8.

A. ICC Staff Exhibit 17.0, Schedule 17.8 shows Staff's proposed adjustment to operating expense for the closing of two bill payment centers. This adjustment is identical to the proposed adjustment sponsored in my direct testimony.

Q. Company witness Hill states that he opposes your adjustment to operating costs for the closing of two bill payment centers because it represents merger savings and is already reflected in the adjusted test year. Do you agree with this?

A. No, I do not agree for three reasons: 1) the Company has not provided support that this is “merger savings”; 2) merger savings are not reflected in the test year; and 3) this is a known and measurable adjustment.

COMPANY HAS NOT PROVIDED SUPPORT

Q. Please explain your reason for disagreeing with Mr. Hill regarding your statement that the Company has not provided support that the closing of two bill payment centers should be considered merger savings.

A. As cited in ICC Staff Ex. 3.0, Schedule 3.11, my proposed adjustment is based upon figures provided by the Company in response to a Staff data request. In that response, there is no mention that these closings are related to ComEd’s merger with PECO Energy Company. The first instance Staff has been made aware of this assertion is from Mr. Hill’s rebuttal testimony. Yet the Company has given Staff no evidence that these closings are made because of the merger.

MERGER SAVINGS ARE NOT REFLECTED IN THE TEST YEAR

Q. If the Company had supported the statement that these closings are merger related, would that minimize your proposed adjustment?

A. No. Mr. Hill states that ComEd has excluded merger costs and already incorporated merger savings in the adjusted test year in Schedule C-2.5, from ComEd Ex. 4.0. (ComEd Ex. 23.0, lines 568 – 572, and 607 – 609) The fact that the Company excluded its merger costs from the revenue requirement does not preclude the consideration and analyzing of post-test year savings. The following is a list of rate cases that I am aware of which the Commission has ordered that merger implementation and integration costs are not to be recovered from the ratepayers:

Illinois-American Water Company 00-0340 Proposed general increase in water rates

United Cities Gas Company 00-0228 Proposed general increase in gas rates

Central Illinois Public Service Company and Union Electric Company 99-0121 Petition for approval of delivery services implementation plan and delivery service tariffs

Union Electric Company 98-0456 Proposed general increase in gas rates

Central Illinois Public Service Company 98-0455 Proposed general increase in gas rates

Central Telephone Company of Illinois 93-0252 Proposed increase in local service rates

In three of the dockets listed above (98-0456, 98-0455, and 93-0252) merger savings were also a contested issue. In each case, the Commission ruled that the full amount of merger savings should be passed-through to the ratepayers.

In regards to Docket Nos. 98-0455 and 98-0456, Union Electric and Central Illinois Public Service Company had originally filed a merger savings plan during the merger proceeding. The Commission declined to consider the plan and found that an appropriate distribution of net merger savings between shareholders and ratepayers should be determined in a future rate case. In those future rate cases (98-0455 and 98-0456) the Commission determined that the appropriate distribution of merger savings was for all savings to go to the ratepayers.

Furthermore, I see no evidence that merger savings are already reflected in the jurisdictionally adjusted test year data. The only merger adjustment being proposed by the Company is implementation and integration costs being deducted from the test year expenses. These costs incurred in 2000 are quantified and reflected in ComEd Ex. 4.0, Schedule C-2.5.

KNOWN AND MEASURABLE ADJUSTMENT

Q. Describe your opposition to Mr. Hill's position based on your statement that the closing of the two bill payment centers constitutes a known and measurable adjustment.

A. As stated in my direct testimony, and unrebutted by ComEd witnesses, these centers are no longer being operated by ComEd, and therefore, the reduction in expenses is a known and measurable adjustment to test year operating and maintenance expense. The closings took place just under two months after the Company filed its testimony in this proceeding. Therefore the "known" qualification is satisfied. Also, the measurable qualification is visibly fulfilled as the Company has been able to quantity and provide to Staff the effect these closings have on operating and maintenance expenses.

Q. Do you have any other concerns regarding Mr. Hill's opposition to your adjustment to reflect the decreased operating and maintenance expenses due to the closing of two bill payment centers.

A. Yes, I do. In this case we have a known decrease in post-test year O&M expenses. If the ratepayers are not allowed to receive this benefit, the ratepayers may be paying for a non-existent level of expense over a long period of time. It is not clear that in the next rate proceeding (or DST proceeding) the Company would not once again claim that this is a "merger savings" and adjust the revenue requirement so that these non-existent expenses flow-through to the ratepayers.

Q. Do you know of any other witness that has proposed a similar adjustment?

A. Yes. Mr. Effron stated that the closing of the bill payment centers constituted a prospective savings in operation and maintenance expense that were not experienced in the test year. Therefore, he is proposing the same adjustment, using the same amount as my proposed adjustment. (Government and Consumers Witness David J. Effron, Exhibit GC 2.0, page 22, line 17 through page 23, line 4) The fact that both Mr. Effron and I independently arrived at the same adjustment in the same amount underscores the appropriateness of this adjustment.

RATE CASE EXPENSE

Q. Have you reviewed Mr. Hill's rebuttal testimony concerning rate case expenses?

A. Yes, I have.

Q. At this time, have you modified your adjustment to rate case expense, and the corresponding adjustment to rate base?

A. No, I have not. ICC Staff Exhibit 17.0, Schedule 17.9 shows my adjustments to operating expense and rate base regarding unsupported rate case expenses. These proposed adjustments are identical to the adjustments sponsored in my direct testimony.

My adjustment disallows part of the rate case expense that has been proposed by the Company. Mr. Hill says he does not agree with my adjustment on the basis that the Company has not yet provided me with documentation for the test year amount. He indicates that the Company will update Staff with supporting documentation for actual costs incurred through the closure of this docket, but of course, that is dependent upon the activity in this case. (ComEd Ex. 23.0, lines 646 – 648, and 654 – 665) However, the Company has not even provided support for the estimated amount of rate case expense. I can only recommend that which has been supported by the Company.

Q. Are you making your adjustment based on the fact that the Company has not provided you with supporting documentation for the test year amount?

A. Yes. However, that documentation is not relegated exclusively to invoices from outside consultants that, of course, are not available in total at this stage of the proceeding. However, as pointed out in my direct testimony, I requested the Company to provide explanations and calculations for the estimated amount of rate case expense, particularly, for the amount that as of yet had not been incurred. As also stated in my direct testimony, without calculations supporting the Company's estimate, it is not possible to analyze the reasonableness of the amount of the expense proposed by the Company.

Q. Since filing your direct testimony, have you received any updated support from ComEd concerning this expense?

A. No, I have not. As stated above, in order to analyze the Company's proposal, I need supporting documentation. Some documentation, as pointed out by the Company, is not available at this date. However, as stated above, I am not entirely relying only on that documentation. The Company should have calculations used to estimate its rate case expense for this docket. Certainly, the Company could supply its calculations to Staff along with comparisons of its estimate-to-actual activity at this date. Until such support is received from the Company, allowing adequate time for review, my proposed adjustment is appropriate.

SALARIES AND WAGES - LAYOFFS

Q. Have you reviewed Mr. Hill's rebuttal testimony concerning opposition to your proposed adjustment for the announced layoffs due to its merger with PECO Energy Company?

A. Yes. I understand his opposition to my proposed adjustment to be threefold: 1) it is not appropriate to deduct for "merger savings" because they have already been reflected in the Company-adjusted revenue requirement and merger costs were excluded from the revenue requirement; 2) now, only 68 employees are being laid-off with the other 86 being kept due to normal attrition; and 3) the estimated severance costs are immediate costs whereas the actual savings won't be realized until well after the end of the test year.

"MERGER SAVINGS"

Q. Do you agree with Mr. Hill's statement that merger savings should not be deducted from the revenue requirement?

A. No. Similar to my rebuttal testimony concerning the closing of the two bill payment centers, I have two reasons for disagreeing with Mr. Hill's position: 1) these layoffs are not already reflected in the revenue requirement; and 2) the layoffs are a known and measurable change that needs to be analyzed in conjunction with the proposed revenue requirement.

Q. Explain your reasoning that these layoffs are not reflected in the Company-proposed revenue requirement.

A. As stated previously in my rebuttal testimony, the only merger-related adjustment being reflected in the Company's proposed revenue requirement is the merger implementation and integration costs being excluded. This is reflected in ComEd Ex. 4.0, Schedule C-2.5. As also stated previously, the fact that merger costs are being deducted does not instigate the reduction of merger savings from the revenue requirements. As discussed in the Bill Payment Centers section of my rebuttal testimony, the Commission has previously ordered merger savings to be distributed to the ratepayers in conjunction with the merger costs not being recovered from the ratepayers.

Q. Explain your reasoning that this is a known and measurable change that needs to be analyzed and incorporated into the revenue requirement.

A. The layoffs are a known and measurable change that are verifiable and can be quantified. The amount of reduced labor expense has been reasonably estimated by the Company. Furthermore, the reduced expenses will start being realized within twelve months of the time the Company filed this case. This aspect will be discussed further below.

LAYOFFS VS. ATTRITION

Q. Does the fact that now 86 of the 154 employees will be retained and fill positions vacant due to attrition modify your position?

A. No. As stated in my direct testimony, whether the employees are laid-off or whether they fill other positions that have been vacated, their positions have still been eliminated. The ratepayers should not be burdened with funding the labor and related costs of positions that no longer exist.

SEVERANCE COSTS SHOULD NOT BE INCLUDED/SAVINGS NOT ACHIEVED UNTIL AFTER YEAR-END

Q. Do you agree with Mr. Hill that the immediate severance costs need to be reflected in the event that the Commission adopts your proposed adjustment?

A. No. The first reason that I do not agree is that severance costs are not a recurring expense. As stated by Mr. Hill, severance payments are scheduled to take place during the eight months following the layoff. After that time period, no more recurring severance payments will be made by the Company for these specific employees. As also pointed out by Mr. Hill, the Company won't realize actual savings (no more severance costs) until mid-2002. With the new departure date for the laid-off employees being September 21, 2001, the severance payments are expected to be complete near the end of May 2002. This is not only within the twelve-month-from-filing time frame required for known and measurable adjustments, but it is within the first month the delivery service tariffs go into effect. Therefore, the

Company will start realizing the savings the first month delivery service tariffs are in effect, and will start realizing the full “merger-savings” the second month residential delivery service tariffs are in place.

The second reason I do not agree with Mr. Hill is that these severance costs are merger costs. If the merger had not taken place with PECO Energy Company, these severance costs would not have been necessary. The Commission has previously identified employee severance costs as “transactional” costs that are to be excluded from the revenue requirement. (Ameritech/SBC Docket No. 98-0555 Amendatory Order on Rehearing November 15, 1999)

Q. Do you have any other points concerning your proposed salaries and wages – layoffs adjustment?

A. Yes. First, I believe that this adjustment is reasonable. There are other announced layoffs that the Company will be making due to its merger. Staff has not proposed an adjustment for these other layoff-related savings (that have been quantified by the Company) because the savings are not expected to start within twelve months of the time the Company filed this case. Also, since I filed my direct testimony, Exelon has publicly announced more layoffs that will be “across the board.” These cuts are economics-related and not because of the merger. Staff is not proposing an adjustment related to these newly announced layoffs because it does not yet constitute a known and measurable adjustment. However, these other sets of layoffs do indicate that the Company’s labor costs should be decreasing, yet the ratepayers will not benefit from this decrease in expense until some unspecified future rate case is filed. This further highlights the necessity of adjusting the revenue requirement for labor adjustments that are presently known and measurable.

Second, I am refining my proposed adjustment to salaries and wages – layoffs. As referenced in ICC Staff Exhibit 14.0, Schedule 14.7, the Company made a pro-forma adjustment to increase salaries and wages expense due to new labor agreements. However, the Company's pro-forma adjustment is based on its test year salaries and wages. As Staff proposes adjustments to salaries and wages expense, a corresponding increase of 3.5% to those adjustments need to be made to offset the Company's pro-forma adjustment. I inadvertently failed to make this corresponding increase to my salaries and wages – layoffs and salaries and wages – incentive compensation adjustments. However, in my supplemental direct testimony, I made this corresponding increase to my proposed adjustment to distribution salaries and wages expense. In reviewing Mr. Hill's and Mr. Voltz's supplemental rebuttal testimonies, I do not see any comment concerning this increase to my adjustment. ICC Staff Exhibit 17.0, Schedule 17.10 reflects the increase necessary for my salaries and wages – layoffs adjustment.

Q. Do you have any comments concerning other parties' proposed adjustments to salaries and wages due to layoffs?

A. Yes. Mr. Effron's proposed adjustment, although reasonably calculated, does not appear appropriate as it is based on a change that is not yet known and measurable. His proposed adjustment is to decrease operating expenses for the salaries and wages of the announced 2900 Exelon layoffs. (Exhibit GC 2.0, pages 19 – 22) As explained above, these layoffs are not expected to occur until after the 12-month period following the date of filing this case.

SALARIES AND WAGES – INCENTIVE COMPENSATION

Q. Please explain ICC Staff Exhibit 17.0, Schedule 17.11, Adjustment to Salaries & Wages – Incentive Compensation.

A. As stated in my direct testimony, my proposed adjustment included the amounts for key performance indicators for which I had not received requested data. Schedule 17.11, Adjustment to Salaries & Wages – Incentive Compensation takes into consideration the data that I received subsequent to preparation of direct testimony. Schedule 17.11, which replaces ICC Staff Exhibit 3.0, Schedule 3.8, reflects the fact that I am proposing an adjustment for all of the incentive compensation costs that relate to the EPS and SVA goals discussed below. Furthermore, this schedule reflects a 3.5% increase in the amount of my proposed adjustment. As discussed previously, I inadvertently neglected to reflect this in my adjustments to salaries and wages – layoffs and salaries and wages – incentive compensation. The Company has made a pro-forma adjustment to increase salaries and wages expense by 3.5% to reflect a new labor agreement. If the Commission accepts my adjustments to salaries and wages expense, it should also accept an adjustment to the Company's pro-forma salary adjustment. Therefore, as reflected in Schedule 17.11, my adjustment is increased by 3.5%.

Q. Have you reviewed Company witnesses Hill and Meischeid's rebuttal testimonies concerning your proposed salaries and wages – incentive compensation adjustment?

A. Yes, I have.

Q. Do either of these two witnesses directly comment regarding your concerns about financial goals primarily benefiting the shareholders with little benefit provided to the ratepayers?

A. Yes, Mr. Meischeid appears to do so. (ComEd Ex. 22.0, lines 87 – 97) However, his stated opinion has not caused me to change my opinion concerning financial goals.

Q. Why does Mr. Meischeid's rebuttal not convince you that shareholders do not primarily benefit from meeting the earnings per share ("EPS") and shareholder value added ("SVA") goals?

A. There are several reasons that I find his rebuttal on this issue not to be convincing. The first reason relates to his comment that "a company's earnings per share and return on investment benefit customers directly as measures of customer satisfaction and loyalty." (Id.) Mr. Meischeid does not make an effort to elaborate on this point. While I am not aware of how wealth creation for shareholders directly benefits ratepayers, I can appreciate the notion that increased customer satisfaction directly benefits ratepayers. By not substantiating this comment, Mr. Meischeid has not demonstrated a direct benefit for ratepayers.

Mr. Meischeid goes on to state, “financial stability affects the ability to raise capital and the cost of borrowing to maintain plant and equipment.” (Id.) This may or may not be one way in which Mr. Meischeid attempts to substantiate his prior comment. Either way, this statement fails to establish the direct benefit to the ratepayers. For instance, if higher earnings per share equals increased financial stability, and that in turn equals a decreased cost in capital or cost of borrowing, then there may be a future decrease in a revenue requirement. However, if there is a future decreased revenue requirement, the benefit to the ratepayers is diminished by the fact the ratepayers paid for the benefit possibly years in advance. Furthermore, it is not clear that the benefit (decrease in revenue requirement) would be greater than the cost (ratepayer funding of EPS and SVA portion of incentive compensation), possibly leading to a net detriment to the ratepayers. Moreover, the benefit to the shareholder is almost immediate. As explained in my direct testimony, as ratepayers are forced to fund incentive compensation based on financial goals, the easier the EPS and SVA goals will be met. (This “circular” argument was presented in my direct testimony but not rebutted by the Company.) As EPS increases, so does the value of common stock, leading to present benefits to the shareholders.

A third reason I am not convinced by Mr. Meischeid's argument is that he relies on referring to "competitive pressures" and "today's competitive utility marketplace." (Id.) Considering that this is a delivery services case, and none of ComEd's delivery services, as far as I know, have been determined to be competitive, I do not see the relevance of charging captive customers rates based upon "competitive pressures," unless the intent is to have those captive customers in some way subsidize whatever other competitive activities the Company or its employees may be engaged in.

Another reason Mr. Meischeid's argument does not convince me that EPS and SVA does not primarily benefits shareholders, rather than ratepayers, is his statement that my adjustment "ignores the shared destiny of shareholders and ratepayers in today's competitive utility marketplace." (Id.) Besides my concern stated above regarding the relevance of the competitive pieces of the electric utility industry, I am not sure what Mr. Meischeid is referring to when he refers to a "shared destiny." I do know that there are some basic differences between ratepayers and shareholders and their respectful destinies. For instance, the ratepayer of delivery services tariffs is captive; he has no choice but to receive the distribution of his electricity from the incumbent electric company, no matter the quality of that service. The shareholders, on the other hand, have many choices. Being a publicly traded company, an individual shareholder has innumerable choices concerning investment. The shareholders, via the Board of Directors and Company management, have the choice of whether to increasingly improve the reliability of its distribution system or whether to use its resources elsewhere. Because shareholders have a destiny involving many choices, while ratepayers currently have a destiny of no alternatives when it comes to delivery services, Mr. Meischeid's argument of a "shared destiny" does not convince me that the shareholders are not the primary beneficiaries of increased earnings per share and related financial goals.

Regardless of the concerns stated above, Mr. Meischeid's argument is not convincing in that it's centered on whether these financial goals benefit the ratepayers. Even if the Commission agrees with the Company that earnings per share and shareholder value added (based upon operating income) benefits ratepayers, there is still a logical gap that needs to be crossed. This gap is whether the ratepayer benefit is equal to the shareholder benefit, or at least, whether the ratepayer benefits to a degree that funding these goals becomes his obligation.

DISTRIBUTION SALARIES AND WAGES

Q. Have you reviewed Mr. Hill's and Mr. Voltz's supplemental rebuttal testimony regarding your proposed adjustment to distribution salaries and wages?

A. Yes. I understand Mr. Hill's opposition to my supplemental direct testimony to be that I am being inconsistent insofar that in my direct testimony concerning the Company-proposed storm reserve, I discuss the importance of test-year principles while in my supplemental testimony concerning distribution salaries and wages I espouse the idea that the Company bears the burden of demonstrating that its test-year expenses are representative of ongoing costs. (ComEd Ex. 23.0, lines 178 – 182)

Q. Does testifying to the importance of test-year rules contradict testimony stating that expenses included in the revenue requirement should represent normal, recurring, and ongoing expenses?

A. No, I do not believe that it does. Otherwise, normalization adjustments made by the Company or by Staff would not be allowed because they violate test-year principles. Mr. Hill himself testified that the Company was making three pro-forma adjustments to levelize certain year 2000 expenses: one was to remove a <u>nonrecurring</u> portion of an expense and the other two were made to reflect the difference between test-year and the <u>expected level of future on-going costs</u> for these specific expenses. (ComEd Ex. 4.0, lines 560 – 567)

Q. Does the Company shoulder the burden of proving that its costs represent a normal, ongoing level?

A. According to the Public Utilities Act, the Company does bear this burden. Sec. 9-201 (c) states, in part:

> If the Commission enters upon a hearing concerning the proprietary of any rate or other charge, classification, contract, practice, rule or regulation, the Commission shall establish the rates or other charges, classifications, contracts, practices, rules or regulations proposed, in whole or in part, or others in lieu thereof, which it shall find to be just

> and reasonable. In such hearing, the burden of proof to establish the justness and reasonableness of the proposed rates or other charges, classifications, contracts, practices, rules or regulations, in whole and in part, shall be upon the utility. (emphasis added)

It is my understanding that the Company does bear this burden. One aspect of rates being just and reasonable is that they recover normal, recurring costs of the utility.

Q. What do you understand Mr. Voltz's opposition to your distribution salaries and wages expense adjustment to be?

A. I understand Mr. Voltz's positions against my adjustment to be that: 1) in relation to 1999 and afterwards, 1998 should not be considered a "normal" year; 2) the increase in distribution salaries and wages do not reflect a substantial increase in real spending; and 3) my proposal constitutes double-counting because of other adjustments made or proposed to distribution expenses.

NORMALITY OF THE YEAR 1998

Q. Do you agree with Mr. Voltz's statement that 1998 should not be considered normal in relation to 1999 and 2000?

A. No. I am aware of Mr. Voltz's point in his supplemental rebuttal testimony that in 1999 and beyond ComEd started to implement many well-know substantial changes to various distribution planning, operating, and maintenance programs. However, I am also aware of several instances in his direct and rebuttal testimonies in which, apparently, contradictory positions were taken. For instance, two areas in which accounting Staff have proposed adjustments related to distribution expenses are storm restoration expenses and tree-trimming expenses. In both cases, the Company deemed fit to normalize these expenses using the 1998 yearly amount. As I understand it, these are two important areas of the Company's renewed efforts in reliability of its distribution system. If 1998 was not a "normal" year for these distribution reliability expenses, I do not understand why the Company chose to normalize its expenses using the amounts from that year.

Also, in rebutting Staff witness Larson's adjustments, Mr. Voltz says:

> "In the three years prior to 1999, ComEd incurred overtime expenditures averaging 35.5% of base payroll, compared with 36.1% from 1999-2000. As can be seen, the level of overtime worked from 1999-2000 cannot be considered extraordinary." (ComEd Ex. 24.0, lines 55 – 58)

This testimony was in relation to capitalized labor rather than expensed distribution labor. However, it does question Mr. Voltz's later testimony that 1998 labor is not "normal" in relation to 1999 – 2000.

Furthermore, in talking about distribution expenses, which would include distribution salaries and wages, Mr. Voltz once again apparently is saying 1998 is normal in relation to later years:

> ComEd has reviewed various maintenance programs that it carried out in 2000 and came to the conclusion that the distribution line O&M expenses in 2000 were not abnormally high. Most of these programs

> carried out in 2000, have been carried out on an annual basis for numerous years. (ComEd Ex. 24.0, lines 246 – 249)

Mr. Voltz then explains that only two maintenance programs have significantly changed in 2000, one in which costs increased in 2000 and the Company believes costs will stay at an increased level, and one in which costs increased but the Company does not believe will stay at that increased level.

Given the apparent inconsistencies in these various statements and proposals made in Mr. Voltz's testimonies, his argument that the Commission should not accept my distribution salaries and wages adjustment because I use the "non-normal" 1998 amount in my calculation should be given little weight.

As stated in my supplemental direct testimony, I gave the Company opportunity to show that the level of expense in 2000 was going to continue. (ICC Staff Exhibit 14.0, lines 94 – 101). With a clear question of the reasonableness of the 2000 amounts, a normalization of the distribution labor expenses is necessary. It is reasonable to use the 1998 amount as a basis in this specific normalization process.

REAL SPENDING

Q. Mr. Voltz states that the increased distribution salaries and wages expenses in 2000 does not, for the most part, reflect a substantial increase in real spending. (ComEd Ex. 39.0, lines 29 – 40) Do you have any comments?

A. Yes, as explained in Mr. Voltz's supplemental rebuttal, the majority of the increase is related to refunctionalization and incentive compensation. As shown in ICC Staff Exhibit 14.0, Schedule 14.7, these two items were considered in calculating my proposed adjustment

I do agree with Mr. Voltz in that I should have also considered the $4.4 million for which the Company has already made downward adjustments to the revenue requirement for distribution salaries and wages expenses. As discussed in more detail below, I am modifying my proposed adjustment to reflect that amount.

DOUBLE COUNTING

Q. Do you agree with Mr. Voltz's assertion that your proposed adjustment amounts to double-counting because other proposed adjustments relating to distribution labor expenses have been made?

A. I agree with this assertion in part. As stated above, I should have excluded the $4.4 million from my calculation. Also, if the Commission accepts the proposed adjustments of intervenors that relate specifically to distribution labor expenses, the Commission must consider these amounts in conjunction with the amount of the adjustment I am proposing. By reviewing ICC Staff Exhibit 17.0, Schedule 17.2, it can be seen that there are three adjustments, besides distribution salaries and wages expense, that affect the distribution expense category. These three proposed adjustments are Staff witness Jones' adjustment to tree management expense and my adjustments to incentive compensation and storm restoration expense.

According to the Company's response to Staff data request BCJ-1.02, nominally less than 1% of ComEd's tree management expenses relates to distribution salaries and wages. Therefore, the tree management expense adjustment and distribution salaries and wages expense adjustment, if both are accepted by the Commission, only constitute a minor amount of double-counting.

Regarding my adjustment for storm restoration expense, I accept the fact that there might be some double-counting in my adjustments. However, storm restoration expenses are not 100% labor. I do not have the data necessary to determine the percentage applicable to labor. If the Company provides me a percentage, and support for that amount, I will consider modifying my adjustment. If the Company chooses not to provide adequate explanation and support for such an amount then the Commission should accept my proposed adjustment in its entirety.

Q. Please describe ICC Staff Exhibit 17.0, Schedule 17.12, Adjustment to Distribution Salaries and Wages Expense.

A. ICC Staff Exhibit 17.0, Schedule 17.12 is similar to ICC Staff Exhibit 14.0, Schedule 14.7. The difference is that Schedule 17.12 reflects my rebuttal position which has been reduced due to the possibility of minor double-counting with Staff witness

Jones' tree-trimming adjustment and by the $4.4 million that the Company has already made downward adjustments to for its proposed revenue requirement.

PAYROLL TAXES

Q. Mr. Hill states that payroll tax adjustments proposed by you and Government and Consumers witness Effron need to be rejected or modified correspondingly with the rejection or modification of the related labor adjustments proposed by you and Mr. Effron. Do you agree with Mr. Hill?

A. Yes, I agree. ICC Staff Exhibit 17.0, Schedule 17.13 shows my new payroll tax adjustment based upon the modifications made to my proposed salaries and wages adjustments reflected in ICC Staff Exhibit 17.0, Schedules 17.10, 17.11, and 17.12. Because 17.13 also reflects the payroll tax adjustment related to my distribution salaries and wages expense adjustment, a separate schedule, as shown in ICC Staff Exhibit 14.0, Schedule 14.8, is not necessary.

Q. Are you aware of any other witness proposing a payroll tax adjustment?

A. Yes. Government and Consumers witness Effron also proposed a payroll tax adjustment of 8% of his proposed labor adjustments. (Government and Consumers witness Effron, page 29, line 20 through page 30, line 2 and Schedule DJE-4)

All parties appear to agree that a payroll tax adjustment needs to be accepted to correspond with the salaries and wages adjustments that are accepted by the Commission.

ENVIRONMENTAL REMEDIATION COSTS

Q. Mr. Effron has proposed an adjustment to reduce environmental remediation expenses. (Exhibit GC 2.0, pages 26 – 28) Do you agree with this adjustment?

A. Although I believe Mr. Effron's normalization method to be reasonable, I do not agree with this specific proposed adjustment. Company witness Hill discusses a strategic plan calling for the expedited closure of manufactured gas plant sites. (ComEd Ex. 23.0, lines 332 – 362) In discussing this plan, Mr. Hill states that forecasts for the next two years reflect annual expenditures that are over twice the test year amount. In reviewing Company and auditor workpapers during field work, I noted forecasts that were lower than the forecasts cited by Mr. Hill. However, the forecasts I reviewed reflected expenses for the next two years to be substantially greater than the test year amount. Years 3 and 4 following the test year reflected forecasts that were slightly lower than the test year amount. I do not believe a normalization adjustment using the test year and 4 prior years, as proposed by Mr. Effron, to be appropriate because prospectively, the test year amount appears to be reasonable.

CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

Commonwealth Edison Company
Statement of Operating Income with Adjustments
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Company Pro Forma (ComEd Ex. 4.0 Sch. C-1)	Staff Adjustments (St. Ex. 17.0 Schedule 17.2)	Staff-Adjusted Company Pro Forma (Cols. B+C)	Staff's Adjustment To Company's Proposed Revenues	Staff Pro Forma Proposed (Cols. D+E)
	(A)	(B)	(C)	(D)	(E)	(F)
1	Operating Revenues	$ 1,786,970	-	$ 1,786,970	$ (292,829)	$ 1,494,141
2	Other Revenues	54,799	-	54,799	-	54,799
3	Total Operating Revenues	1,841,769	-	1,841,769	(292,829)	1,548,940
4	Uncollectible Expense	16,300	(3,605)	12,695	(2,079)	10,616
5	Production	432	-	432	-	432
6	Distribution	418,141	(44,096)	374,045	-	374,045
7	Customer Accounts	166,136	(9,967)	156,169	-	156,169
8	Customer Service and Informational	12,217	-	12,217	-	12,217
9	Administrative and General	200,663	(84,827)	115,836	-	115,836
10	Depreciation and Amortization	299,127	(2,349)	296,778	-	296,778
11	Taxes Other than Income Taxes	154,826	(5,082)	149,744	-	149,744
12	Total Operating Expense					
13	Before Income Taxes	1,267,842	(149,926)	1,117,916	(2,079)	1,115,837
14	State Income Tax	33,952	11,071	45,023	(20,585)	24,438
15	Federal Income Tax	155,958	50,848	206,806	(94,558)	112,248
16	Deferred Taxes and ITCs Net	(22,334)	-	(22,334)	-	(22,334)
17	Total Operating Expenses	1,435,418	(88,007)	1,347,411	(117,222)	1,230,189
18	NET OPERATING INCOME	$ 406,351	$ 88,007	$ 494,358	$ (175,607)	$ 318,751
19	Staff Rate Base (ICC Staff Exhibit 17.0, Schedule 17.3, Column (D))					$ 3,642,865
20	Staff Overall Rate of Return (ICC Staff Exhibit 12, Schedule 12.1)					8.75%
21	Revenue Change (Col. (F), Line 3 minus Col. (B), Line 3)					$ (292,829)
22	Percentage Change to Company Proposed Revenues (Col. (F), Line 21 divided by Col. (B), Line 3)					-15.90%

Commonwealth Edison Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Interest Synchronization (St. Ex. 17.0 Sched. 17.5)	Retired Plant (St. Ex. 1.0 Sched. 1.1)	Replaced Plant (St. Ex. 1.0 Sched. 1.2)	Interest on Customer Deposits (St. Ex. 2.0 Sched. 2.2)	Uncollectible Expense (St. Ex. 2.0 Sched. 2.3)	Collection Agency Expense (St. Ex. 2.0 Sched. 2.4)	State Use Tax Expense (St. Ex. 2.0 Sched. 2.5)	Subtotal Operating Statement Adjustments
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Other Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Expense	-	-	-	-	(3,605)	-	-	(3,605)
5	Production	-	-	-	-	-	-	-	-
6	Distribution	-	-	-	-	-	-	-	-
7	Customer Accounts	-	-	-	-	-	(1,106)	-	(1,106)
8	Customer Service and Informational	-	-	-	-	-	-	-	-
9	Administrative and General	-	-	-	(919)	-	-	-	(919)
10	Depreciation and Amortization	-	(858)	(279)	-	-	-	-	(1,137)
11	Taxes Other than Income Taxes	-	-	-	-	-	-	(1,401)	(1,401)
12	Total Operating Expense								
13	Before Income Taxes	-	(858)	(279)	(919)	(3,605)	(1,106)	(1,401)	(8,168)
								-	
14	State Income Tax	454	61	20	65	255	78	99	1,032
15	Federal Income Tax	2,087	279	91	299	1,172	360	456	4,744
16	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
17	Total Operating Expenses	2,541	(518)	(168)	(555)	(2,178)	(668)	(846)	(2,392)
18	NET OPERATING INCOME	$ (2,541)	$ 518	$ 168	$ 555	$ 2,178	$ 668	$ 846	$ 2,392

Commonwealth Edison Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Subtotal	Tree Management Expense (St. Ex. 2.0 Sched. 2.6)	Employee Layoffs (St. Ex. 17.0 Sched. 17.10)	Salary & Wages Inc. Comp (St. Ex. 17.0 Sched. 17.11)	Salary & Wages Inc. Comp (St. Ex. 17.0 Sched. 17.11)	Payroll Tax (St. Ex. 17.0 Sched. 17.13)	Storm Restoration Expense (St. Ex. 17.0 Sched. 17.7)	Subtotal Operating Statement Adjustments
	(A)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)
1	Operating Revenues	$ -	$ -	$ -			$ -	$ -	$ -
2	Other Revenues	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-
4	Uncollectible Expense	(3,605)	-	-	-	-	-	-	(3,605)
5	Production	-	-	-	-	-	-	-	-
6	Distribution	-	(7,028)	-	-	(12,380)	-	(10,505)	(29,913)
7	Customer Accounts	(1,106)	-	(8,096)	-	-	-	-	(9,202)
8	Customer Service and Informational	-	-	-	-	-	-	-	-
9	Administrative and General	(919)	-	-	(12,181)	-	-	-	(13,100)
10	Depreciation and Amortization	(1,137)	-	-	-	-	-	-	(1,137)
11	Taxes Other than Income Taxes	(1,401)	-	-	-	-	(3,681)	-	(5,082)
12	Total Operating Expense								
13	Before Income Taxes	(8,168)	(7,028)	(8,096)	(12,181)	(12,380)	(3,681)	(10,505)	(62,039)
14	State Income Tax	1,032	498	573	862	877	261	744	4,847
15	Federal Income Tax	4,744	2,286	2,633	3,962	4,026	1,197	3,416	22,264
16	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
17	Total Operating Expenses	(2,392)	(4,244)	(4,890)	(7,357)	(7,477)	(2,223)	(6,345)	(34,928)
18	NET OPERATING INCOME	$ 2,392	$ 4,244	$ 4,890	$ 7,357	$ 7,477	$ 2,223	$ 6,345	$ 34,928

Commonwealth Edison Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Subtotal	Bill Payment Center Closings (St. Ex. 17.0 Sched. 17.8)	Rate Case Expense (St. Ex. 17.0 Sched. 17.9)	Charitable Contributions (St. Ex. 4.0 Sch. 4.1)	Advertising Expense (St. Ex. 18.0 Sch. 18.1)	Bank Commitment Fees (St. Ex. 4.0 Sch. 4.3)	Social & Service Club Dues (St. Ex. 18.0 Sch. 18.2)	Subtotal Operating Statement Adjustments
	(A)	(R)	(S)	(T)	(U)	(V)	(W)	(X)	(Y)
1	Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Other Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Expense	(3,605)	-	-	-	-	-	-	(3,605)
5	Production	-	-	-	-	-	-	-	-
6	Distribution	(29,913)	-	-	-	-	-	-	(29,913)
7	Customer Accounts	(9,202)	(765)	-	-	-	-	-	(9,967)
8	Customer Service and Informational	-	-	-	-	-	-	-	-
9	Administrative and General	(13,100)	-	(1,143)	(110)	(1,199)	(902)	(15)	(16,469)
10	Depreciation and Amortization	(1,137)	-	-	-	-	-	-	(1,137)
11	Taxes Other than Income Taxes	(5,082)	-	-	-	-	-	-	(5,082)
12	Total Operating Expense								
13	Before Income Taxes	(62,039)	(765)	(1,143)	(110)	(1,199)	(902)	(15)	(66,173)
14	State Income Tax	4,847	54	81	8	85	64	1	5,140
15	Federal Income Tax	22,264	249	372	36	390	293	5	23,609
16	Deferred Taxes and ITCs Ne	-	-	-	-	-	-	-	-
17	Total Operating Expenses	(34,928)	(462)	(690)	(66)	(724)	(545)	(9)	(37,424)
18	NET OPERATING INCOME	$ 34,928	$ 462	$ 690	$ 66	$ 724	$ 545	$ 9	$ 37,424

Commonwealth Edison Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Subtotal	Special Projects (St. Ex. 4.0 Sch. 4.5)	Research & Development (St. Ex. 4.0 Sch. 4.6)	Plant Placed in Service 2nd Quarter 2001 (St. Ex. 15.0 Sch. 15.1)	Contractors' Premiums (St. Ex. 15.0 Sch. 15.2)	Overtime (St. Ex. 15.0 Sch. 15.3)	Distribution Salaries & Wages (St. Ex. 17.0 Sch. 17.12)	Subtotal Operating Statement Adjustments
	(A)	(Z)	(AA)	(BB)	(CC)	(DD)	(EE)	(FF)	(GG)
1	Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Other Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Expense	(3,605)	-	-	-	-	-	-	(3,605)
5	Production	-	-	-	-	-	-	-	-
6	Distribution	(29,913)	-	-	-	-	-	(14,183)	(44,096)
7	Customer Accounts	(9,967)	-	-	-	-	-	-	(9,967)
8	Customer Service and Informationa	-	-	-	-	-	-	-	-
9	Administrative and General	(16,469)	(1,174)	(3,529)	-	-	-	-	(21,172)
10	Depreciation and Amortization	(1,137)	-	-	(277)	(603)	(332)	-	(2,349)
11	Taxes Other than Income Taxes	(5,082)	-	-	-	-	-	-	(5,082)
12	Total Operating Expense								
13	Before Income Taxes	(66,173)	(1,174)	(3,529)	(277)	(603)	(332)	(14,183)	(86,271)
14	State Income Tax	5,140	83	250	20	43	24	1,004	6,564
15	Federal Income Tax	23,609	382	1,148	90	196	108	4,613	30,146
16	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
17	Total Operating Expenses	(37,424)	(709)	(2,131)	(167)	(364)	(200)	(8,566)	(49,561)
18	NET OPERATING INCOME	$ 37,424	$ 709	$ 2,131	$ 167	$ 364	$ 200	$ 8,566	$ 49,561

Commonwealth Edison Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Subtotal	Legal (St. Ex. 18.0 Sch. 18.3)	Labor Allocator (St. Ex. 19.0 Sch. 19.2, p. 2)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(A)	(HH)	(II)	(JJ)	(KK)	(LL)	(MM)	(NN)	(OO)
1	Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Other Revenues	-	-	-	-	-	-	-	-
3	Total Operating Revenues	-	-	-	-	-	-	-	-
4	Uncollectible Expense	(3,605)	-	-	-	-	-	-	(3,605)
5	Production	-	-	-	-	-	-	-	-
6	Distribution	(44,096)	-	-	-	-	-	-	(44,096)
7	Customer Accounts	(9,967)	-	-	-	-	-	-	(9,967)
8	Customer Service and Informational	-	-	-	-	-	-	-	-
9	Administrative and General	(21,172)	(3,653)	(60,002)	-	-	-	-	(84,827)
10	Depreciation and Amortization	(2,349)	-	-	-	-	-	-	(2,349)
11	Taxes Other than Income Taxes	(5,082)	-	-	-	-	-	-	(5,082)
12	Total Operating Expense								
13	Before Income Taxes	(86,271)	(3,653)	(60,002)	-	-	-	-	(149,926)
14	State Income Tax	6,564	259	4,248	-	-	-	-	11,071
15	Federal Income Tax	30,146	1,188	19,514	-	-	-	-	50,848
16	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
17	Total Operating Expenses	(49,561)	(2,206)	(36,240)	-	-	-	-	(88,007)
18	NET OPERATING INCOME	$ 49,561	$ 2,206	$ 36,240	$ -	$ -	$ -	$ -	$ 88,007

Docket No. 01-0423
ICC Staff Ex. 17.0
Schedule 17.3

Commonwealth Edison Company

Rate Base

For the Test Year Ending December 31, 2000

(Thousands)

Line No.	Description	Company Pro Forma Rate Base (ComEd Ex. 4.0 Sch. B-1)	Staff Adjustments (St. Ex. 17.0 Schedule 17.4)	Staff Pro Forma Rate Base (Col. B+C)
	(A)	(B)	(C)	(D)
1	Distribution Plant	$ 8,370,615	$ (80,219)	$ 8,290,396
2	General and Intangible Plant	850,351	(405,161)	445,190
3	Accumulated Depreciation - Distribution Plant	(3,821,634)	44,715	(3,776,919)
4	Accumulated Depreciation - General and Intangible Plant	(224,207)	1,035	(223,172)
5	Net Plant	5,175,125	(439,630)	4,735,495
6	Additions to Rate Base			
7	Materials and Supplies Inventories	36,479	-	36,479
8	Construction Work in Progress	20,813	-	20,813
9	Regulatory Assets	6,161	(2,286)	3,875
10	Deductions From Rate Base			
11	Accumulated Deferred Income Taxes	(765,927)	1,019	(764,908)
12	Customer Deposits	(17,856)	-	(17,856)
13	Budget Payment Plan Balances	-	(165)	(165)
14	Customer Advances	(325)	-	(325)
15	Other Deferred Credits	(9,820)	-	(9,820)
16	Accumulated Investment Tax Credits	(254)	-	(254)
17	Operating Reserves	(360,469)	-	(360,469)
18	Rate Base	$ 4,083,927	$ (441,062)	$ 3,642,865

Commonwealth Edison Company
Adjustments to Rate Base
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Retired Plant (St. Ex. 1.0 Sched. 1.1)	Retired Plant (St. Ex. 1.0 Sched. 1.1)	Replaced Plant (St. Ex. 1.0 Sched. 1.2)	Replaced Plant (St. Ex. 1.0 Sched. 1.2)	Budget Payment Plan Balances (St. Ex. 2.0 Sched. 2.1)	Unamortized Rate Case Expense (St. Ex. 17.0 Sched. 17.9)	Plant Placed in Service 2nd Quarter 2001 (St. Ex. 15.0 Sch. 15.1)	Subtotal Rate Base Adjustments
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Distribution Plant	$ (32,157)	$ -	$ (11,060)	$ -	$ -	$ -	$ -	$ (43,217)
2	General and Intangible Plant	-	-	-	-	-	-	-	-
3	Accumulated Depreciation - Distribution Plant	-	32,157	-	11,060	-	-	277	43,494
4	Accumulated Depreciation - General and Intangible Plant	-	-	-	-	-	-	-	-
5	Net Plant	(32,157)	32,157	(11,060)	11,060	-	-	277	277
6	Additions to Rate Base								-
7	Materials and Supplies Inventories	-	-	-	-	-	-	-	-
8	Construction Work in Progress	-	-	-	-	-	-	-	-
9	Regulatory Assets	-	-	-	-	-	(2,286)	-	(2,286)
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
10	Deductions From Rate Base	-	-	-	-	-	-	-	-
11	Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-
12	Customer Deposits	-	-	-	-	-	-	-	-
13	Budget Payment Plan Balances	-	-	-	-	(165)	-	-	(165)
14	Customer Advances	-	-	-	-	-	-	-	-
15	Other Deferred Credits	-	-	-	-	-	-	-	-
16	Accumulated Investment Tax Credits	-	-	-	-	-	-	-	-
17	Operating Reserves	-	-	-	-	-	-	-	-
18	Rate Base	$ (32,157)	$ 32,157	$ (11,060)	$ 11,060	$ (165)	$ (2,286)	$ 277	$ (2,174)

Commonwealth Edison Company
Adjustments to Rate Base
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Subtotal	Plant Placed in Service 2nd Quarter 2001 (St. Ex. 15.0 Sch. 15.1)	Contractors' Premiums (St. Ex. 15.0 Sch. 15.2)	Contractors' Premiums (St. Ex. 15.0 Sch. 15.2)	Contractors' Premiums (St. Ex. 15.0 Sch. 15.2)	Overtime (St. Ex. 15.0 Sch. 15.3)	Overtime (St. Ex. 15.0 Sch. 15.3)	Subtotal Rate Base Adjustments
	(A)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)
1	Distribution Plant	$ (43,217)	$ (11,038)	$ -	$ (16,742)	$ -	$ -	$ (9,222)	$ (80,219)
2	General and Intangible Plant	-	-	-	-	-	-	-	-
3	Accumulated Depreciation - Distribution Plant	43,494	-	904	-	-	317	-	44,715
4	Accumulated Depreciation - General and Intangible Plant	-	-	-	-	-	-	-	-
5	Net Plant	277	(11,038)	904	(16,742)	-	317	(9,222)	(35,504)
6	Additions to Rate Base								-
7	Materials and Supplies Inventories	-	-	-	-	-	-	-	-
8	Construction Work in Progress	-	-	-	-	-	-	-	-
9	Regulatory Assets	(2,286)	-	-	-	-	-	-	(2,286)
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
10	Deductions From Rate Base	-	-	-	-	-	-	-	-
11	Accumulated Deferred Income Taxes	-	-	-	-	369	-	-	369
12	Customer Deposits	-	-	-	-	-	-	-	-
13	Budget Payment Plan Balances	(165)	-	-	-	-	-	-	(165)
14	Customer Advances	-	-	-	-	-	-	-	-
15	Other Deferred Credits	-	-	-	-	-	-	-	-
16	Accumulated Investment Tax Credits	-	-	-	-	-	-	-	-
17	Operating Reserves	-	-	-	-	-	-	-	-
18	Rate Base	$ (2,174)	$ (11,038)	$ 904	$ (16,742)	$ 369	$ 317	$ (9,222)	$ (37,586)

Commonwealth Edison Company
Adjustments to Rate Base
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Subtotal	Overtime (St. Ex. 15.0 Sch. 15.3)	Labor Allocator (St. Ex. 19.0 Sch. 19.2, p. 2)	Labor Allocator (St. Ex. 19.0 Sch. 19.2, p. 2)	Labor Allocator (St. Ex. 19.0 Sch. 19.2, p. 2)	(Source)	(Source)	Total Rate Base Adjustments
	(A)	(R)	(S)	(T)	(U)	(V)	(W)	(X)	(Y)
1	Distribution Plant	$ (80,219)	$ -	$ -	$ -	$ -	$ -	$ -	$ (80,219)
2	General and Intangible Plant	-		(405,161)					(405,161)
3	Accumulated Depreciation - Distribution Plant	44,715							44,715
4	Accumulated Depreciation - General and Intangible Plant	-	-	-	1,035	-	-	-	1,035
5	Net Plant	(35,504)	-	(405,161)	1,035	-	-	-	(439,630)
6	Additions to Rate Base								-
7	Materials and Supplies Inventories	-	-	-	-	-	-	-	-
8	Construction Work in Progress	-	-	-	-	-	-	-	-
9	Regulatory Assets	(2,286)	-	-	-	-	-	-	(2,286)
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
10	Deductions From Rate Base	-	-	-	-	-	-	-	-
11	Accumulated Deferred Income Taxes	369	94	-	-	556	-	-	1,019
12	Customer Deposits	-	-	-	-	-	-	-	-
13	Budget Payment Plan Balances	(165)	-	-	-	-	-	-	(165)
14	Customer Advances	-	-	-	-	-	-	-	-
15	Other Deferred Credits	-	-	-	-	-	-	-	-
16	Accumulated Investment Tax Credits	-	-	-	-	-	-	-	-
17	Operating Reserves	-	-	-	-	-	-	-	-
18	Rate Base	$ (37,586)	$ 94	$ (405,161)	$ 1,035	$ 556	$ -	$ -	$ (441,062)

Docket No. 01-0423
ICC Staff Ex. 17.0
Schedule 17.5

Commonwealth Edison Company
Interest Synchronization Adjustment
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Amount	
	(A)	(B)	
1	Distribution Plant	$ 3,642,865	(1)
2	Weighted Cost of Debt	4.14%	(2)
3	Synchronized Interest Per Staff	150,815	
4	Company Interest Expense	157,231	(3)
5	Increase (Decrease) in Interest Expense	(6,416)	
6	Increase (Decrease) in State Income Tax Expense		
7	at 7.080%	$ 454	
8	Increase (Decrease) in Federal Income Tax Expense		
9	at 35.000%	$ 2,087	
10	Sources:		
11	(1) Source: ICC Staff Ex. 17.0, Schedule 17.3, Column (D).		
12	(2) Source: ICC Staff Exhibit 12.0, Schedule 12.1.		
13	(3) Source: ComEd 4.0, Schedule C-3.4, line 3.		

Commonwealth Edison Company
Gross Revenue Conversion Factor
For the Test Year Ending December 31, 2000
(Thousands)

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(A)	(B)	(C)	(D)
1	Revenues		1.000000	
2	Uncollectibles	0.71%	0.007100	
3	State Taxable Income		0.992900	1.000000
4	State Income Tax	7.08%	0.070297	0.070800
5	Federal Taxable Income		0.922603	0.929200
6	Federal Income Tax	35.00%	0.322911	0.325220
7	Operating Income		0.599692	0.603980
8	Gross Revenue Conversion Factor Per Staff		1.667523	1.655684

Commonwealth Edison Company
Adjustment to Storm Expense
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description	Amount	
	(A)	(B)	
1	Storm Expense Per Staff	$ 16,455	(1)
2	Storm Expense Per Company	26,960	(2)
3	Staff Adjustment	$ (10,505)	
4	Sources:		
5	(1): ICC Staff Exhibit 17.0, Schedule 17.7, p. 2, line 11.		
6	(2): ComEd Ex. 4.0, Schedule C-18, line 18.		

Commonwealth Edison Company
Adjustment to Storm Expense
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Year	% Change in Labor Costs		1993	1994	1995	1996	1997	1998	1999	2000	2001	
				Storm Expense Restated at 2000 Labor Dollars									
	(A)	(B)		(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	
1	Amounts Expensed (1)			$ 9,300	$ 7,900	$ 4,800	$ 8,900	$ 14,100	$ 36,500	$ 16,500	$ 29,900	$ 11,251	(2)
2	1994	1.7%	(3)	9,458									
3	1995	2.6%	(3)	9,704	8,105								
4	1996	2.2%	(3)	9,917	8,284	4,906							
5	1997	3.2%	(3)	10,235	8,549	5,063	9,185						
6	1998	2.7%	(3)	10,511	8,780	5,199	9,433	14,481					
7	1999	2.5%	(3)	10,774	8,999	5,329	9,669	14,843	37,413				
8	2000	3.3%	(3)	11,130	9,296	5,505	9,988	15,333	38,647	17,045	29,900		
9	2001											11,251	
10	Total Storm Expense, 1993 - 2001 in 2000 Labor Dollars					$ 148,094 (4)							
11	Average Storm Expense					$ 16,455 (5)							

12 Sources:

13 (1): Attachment to ComEd response to Staff data request BCS 1.12.
14 (2): ICC Staff Exhibit 17.0, Schedule 17.7, p. 3, line 6.
15 (3): Lines 2-7 -- WEFA Historical Data Tables (1979 - 1999) - Third Quarter 2000, pg. 3.81.
16 Table 9.3: Wage Rates, Productivity, and Unit Labor Costs - Percent Change - Transportation & Utilities
17 Line 8 -- WEFA Trend Scenario Tables (2000 - 2020) First Quarter 2001, pg. 4.70.
18 Table 9.3: Wage Rates, Productivity, and Unit Labor Costs - Percent Change - Transportation & Utilities
19 (4): Sum of Line 8, Columns C - J and Line 9, Column K
20 (5): Line 10 divided by 9 years.

Commonwealth Edison Company
Adjustment to Storm Expense
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description	Amount	
	(A)	(B)	
1	Storm Expenses: Jan - Aug, 2001		
2	Fixed	$ 2,963	
3	Variable	6,308	
4	Total	9,271	(1)
5	Annual percent expended by August	82.4%	(2)
6	Annualized total for 2001	$ 11,251	(3)
7	Sources:		
8	(1): ComEd Ex. 24.0, lines 406 - 408; Company response		
9	to Staff data request BCS 6.01(d).		
10	(2): Data provided by Company during field work		
11	and in response to Staff data request BCS 6.01,		
12	(3): Line 4 divided by line 5.		

Commonwealth Edison Company
Adjustment for Closing of Bill Payment Centers
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description	Amount
	(A)	(B)
1	Bill Payment Center Operations per Staff	$ -
2	Bill Payment Center Operations per Company	765 (1)
3	Staff Adjustment	$ (765)
4	Source:	
5	(1): ComEd response to Staff Data Request BCS 1.26.	

Commonwealth Edison Company
Adjustment to Rate Case Expense
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description	Operating Expense		Unamortized Expense	
	(A)	(B)		(C)	
1	Rate Case Expense Per Staff	$ 689	(1)	$ 3,875	(3)
2	Rate Case Expense Per Company	1,833	(2)	6,161	(4)
3	Staff Adjustment	$ (1,143)		$ (2,286)	

4 Sources:

5 (1): ICC Staff Exhibit 17.0, Schedule 17.9, p. 2, line 3.
6 (2): ComEd Ex. 4.0, Schedule C-2.3.
7 (3): ICC Staff Exhibit 17.0, Schedule 17.9, p.2, line 7.
8 (4): ComEd Ex. 4.0, Schedule B-1.

Commonwealth Edison Company
Adjustment to Rate Case Expense
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description	Amount	
	(A)	(B)	
1	Supported Rate Case Expenses	$ 2,068	(1)
2	Amortization Period (years)	3	(2)
3	Rate Case Expenses per Staff	$ 689	(3)
4	Unamortized Rate Case Expense:		
5	Docket No. 01-0423	$ 1,379	(4)
6	Docket No. 99-0117	2,496	(5)
7	Total Unamortized Rate Case Expense	$ 3,875	
8	Sources:		
9	(1): Attachment to ComEd response to Staff data request BCS 2.05.		
10	(2): Proposed by Company, ComEd Ex. 4.0, Schedule B-2.3, line 22.		
11	(3): Line 1 divided by line 2.		
12	(4): Line 1 minus line 3.		
13	(5): Company workpaper WPB - 2.3 a & b		

Docket No. 01-0423
ICC Staff Exhibit 17.0
Schedule 17.10

Commonwealth Edison Company
Adjustment to Salaries & Wages Expense - Layoffs
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description	Amount	
	(A)	(B)	
1	Salaries & Benefits of Laid-Off Employees Per Staff	$ -	
2	Salaries & Benefits of Laid-Off Employees Per Company	7,822	(1)
3	Staff Adjustment for layoffs	(7,822)	
4	Company pro-forma general salary increase (line 3 * 3.5%)	(274)	
5	Staff adjustment for layoffs and corresponding		
6	increase reflected in Company pro-forma adjustment	$ (8,096)	
7	Source:		
8	(1): Attachment to Company response to Staff data request BCS 1.22		

Commonwealth Edison Company
Adjustments to Salaries & Wages Expense - Incentive Compensation
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description	General & Administrative		Distribution	
	(A)	(B)		(C)	
1	Incentive Compensation Per Staff	$ 4,449	(1)	$ 28,762.42	(1)
2	Incentive Compensation Per Company	16,218	(2)	40,723	(2)
3	Staff Adjustment for Incentive Compensation	(11,769)		(11,961)	
4	Company pro-forma general salary increase (line 3 * 3.5%)	(412)		(419)	
5 6	Staff adjustment for incentive compensation and corresponding increase reflected in Company pro-forma adjustment	$ (12,181)		$ (12,380)	

7 Sources:

8 (1): ICC Staff Exhibit 17.0, Schedule 17.11, page 2, lines 5 and 6.
9 (2): Attachment to Company response to Staff data request BCS 3.07.

Commonwealth Edison Company
Adjustments to Salaries & Wages Expense - Incentive Compensation
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description		Total Incentive Compensation	Earnings Per Share	Shareholder Value Added	Customer Focus Index	Merger Goals	Diversity Goals	Business Unit KPIs
	(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	General and Administrative: Account 920921	(1)	$ 17,994	$ 990	$ 10,780	$ 1,062	$ 1,776	$ 252	$ 3,135
2	Maintenance: Account 580000	(1)	42,865	857	11,102	257	2,143	429	28,077
3	Total		$ 60,859	$ 1,847	$ 21,882	$ 1,319	$ 3,919	$ 681	$ 31,212

4	Goals Beneficial for Ratepayers (Total of Columns E, G and H).	
5	General and Administrative	4,449
6	Distribution	28,762
7	Total	$ 33,211

8 Source:

9 (1): Incentive Compensation by Goal Components, Attachment 1 to Company response to Staff data request BCS 3.08.

Docket No. 01-0423
ICC Staff Exhibit 17.0
Schedule 17.12

Commonwealth Edison Company
Adjustment to Distribution Salaries & Wages Expense
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description	2000 Total Distribution Salaries and Wages	Explained Increases in Salaries and Wages	Amount
	(A)	(B)	(C)	(D)
1	1998 Distribution Salaries and Wages Expense			$ 110,600 (1)
2	Calculated 1999 Distribution Salaries and Wages Expense			114,471 (2)
3	Calculated 2000 Distribution Salaries and Wages Expense			118,477 (2)
4	2000 Actual Distribution Salaries and Wages Expense	189,700 (3)	53,200 (4)	136,500 (5)
5	Normalization Adjustment to Distribution Salaries and Wages Expense (Line 3 less Line 4)			(18,023)
6	Decrease in Company's 2001 General Salary and Wages Increase Adjustment			(631) (6)
7	Total Distribution Salaries and Wages Expense Adjustment (Line 5 plus Line 6)			$ (18,653)
8	Net-Effect of Other Adjustments Affecting Distribution Salaries and Wages			
9	Tree Management Adjustment (1% Company salaries and wages)			70 (7)
10	Total reductions already made Company			4,400 (8)
11	Staff Adjustment (Sum of Lines 7 - 10)			$ (14,183)

12 Sources:

13 (1): 1998 FERC Form 1, page 354 & 355, sum of lines 5 and 14.
14 (2): Prior years' total expense inflated by 3.5%.
15 (3): 2000 FERC Form 1, page 354 & 355, sum of lines 5 and 14.
16 (4): Company response to Staff data request BCS 4.01a.
17 (5): Line 4 Columns (B) minus (C).
18 (6): This decreases ComEd's adjustment made for a general increase in salaries,
19 ComEd Ex. 4.0, Schedule C-2, Column (g).
20 (7): ICC Staff Exhibit 17.0, Schedule 17.2, Column (K) times 1%; ICC Staff Exhibit 17.0 lines 755 -760.
21 (8): ICC Staff Exhibit 17.0 lines 731 -735; ComEd Ex. 39.0, lines 45 - 57)

Docket No. 01-0423
ICC Staff Exhibit 17.0
Schedule 17.13

Commonwealth Edison Company
Adjustment to Payroll Taxes
For the Test Year Ended December 31, 2000
(In Thousands)

Line No.	Description	Amount	
	(A)	(B)	
1	Total Adjustments to Salaries and Wages	$ (46,009)	(1)
2	Estimated Payroll Tax Percentage	8.0%	(2)
3	Staff Adjustment to Payroll Taxes (Line 1 x Line 2)	$ (3,681)	
4	Sources:		
5	(1): ICC Staff Ex. 17.0, Sum of Schedules 17.10, Line 6 ,		
6	17.11, Line 3, and 17.12, Line 11.		
7	(2): ComEd response to Staff data request BCS 1.21.		